

NDPERS RETIREE BENEFITS COMMITTEE

December 7, 2017

MINUTES

* - Present

BOARD MEMBERS: *Yvonne Smith

STAFF: *Bryan Reinhardt, *Kathy Allen, *Rebecca Fricke, *MaryJo Steffes,
*Sharon Schiermeister

Guests: *Jon Godfread, *David Zimmerman – ND Insurance Department

Interest Groups:

Membership Representatives:

*Dave Zentner, *Weldee Baetsch, *Bill Lardy, *Ron Leingang, *Deb Knudsen, *Dennis Fewless

ND Capitol Ft. Totten Room

Minutes

11:00 – Sharon started the meeting and thanked everyone for coming. The presentation started with the health plan. Sharon talked about the background and history of the retiree health plan with the Medicare Part D coverage, which is bundled with the medical coverage. NDPERS does not have an open enrollment each year. Retirees can not enroll in another Part D plan; if they do, they would have to lose NDPERS coverage which would include the medical coverage. The question the retiree committee has been looking at is if the NDPERS Retiree Plan should unbundle the RX and medical. There are +’s and –’s to each. The group discussed a few of these. There is potential for premium savings for members if they do the research and choose the best plan for them. There is also a risk of adverse selection to the NDPERS plan if the ‘healthy’ members leave and the average plan costs go up.

Jon Godfread and Dave Zimmerman talked about insurance in North Dakota and open enrollment for the Medicare Part D plans. It is confusing and the ND Insurance Department (NDID) can be a good source of information to help our retirees. They questioned the downsides of unbundling. Dave covered the presentation. It was noted that the average premium would be about \$35 in 2018. This compares to \$95 for the NDPERS plan. It was noted that the NDPERS plan does have good benefits and no ‘donut’ hole where the member is responsible for all costs. The Medicare ‘donut’ hole is scheduled to phase out by 2020. There was a question if this would increase the costs of the plans. Dave thought it might not if Medicare is able to increase discounts and manage the program. The group discussed unbundling. This would be an NDPERS Board decision. No legislative action is needed. Any NDPERS plan decision would be effective for 2019. Sharon pointed out that many NDPERS retirees trust PERS and do not want to shop for a plan each year. Some retirees also might not be able to do this. NDID noted that about 16% of the Medicare population uses their State Health Insurance Counseling Program (SHIC). Is awareness very high? Probably not, but NDID is working on this.

11:40 – The group discussed the health plan qualifying events and how changing these may cause adverse selection. These rules are in statute and administrative rules. Bill noted that older members have never done this before and may not want to be bothered with this. Jon thought that after unbundling there could be a cross over / default plan that members could stay in. Would this lead to adverse selection? NDPERS could offer multiple choices, but with 7,000 members getting smaller with those moving out the numbers are getting small. NDPERS renewal is in the late summer, so planning should start now. Dave & Jon left the meeting.

12:00 – Sharon continued with a discussion on further actions. Bill felt PERS needs to look at doing this. It was noted that it looks good to new retirees to move to the cheapest plan, but they can't come back to NDPERS if the market changes. The group discussed if NDPERS has enough members if they are broken into smaller groups. NDPERS is checking with ESI if there is a way to join other group plans. Maybe NDPERS should get out of the Part D altogether. Members would be on their own to get RX insurance. Members could go to the insurance department each year to pick the best plan. With only 16% doing this now, could they handle another 7,000 NDPERS retirees? The group discussed formulary changes and how these plans only tell their member about them if they occur during the year. They are not disclosed at open enrollment, it is up to the consumer to research this. Weldee did not agree with unbundling and thought a lot of members would not be comfortable with making a change. The NDPERS plan is now at the upper range for plan premium and the rates are based on plan experience. The majority of the committee felt we should go forward with looking at options for unbundling.

12:15 – Sharon moved to the Medicare supplement portion of the presentation. She asked the committee if there was any interest in a High Deductible Health Plan option for the retirees. A HDHP plan F with a \$2200 deductible is currently running with about a 50% lower premium. Members can switch to the HDHP, but to switch back would need to go through underwriting. This would help with adverse selection. The group thought this would be a good option to look at. Bill asked about a Medicare part-G plan. NDPERS could also look at this.

The discussion moved to the NDPERS Pre-Medicare plan. This plan was frozen a few years ago and statute changed. NDPERS could only offer an unsubsidized rate going forward (those already in would still be grandfathered). Estimates show that the rates would be almost double what the current rates are. With the possibility of changes at the federal level that could remove guarantee issue, should we offer this again? Would there be an open enrollment for those who didn't get to come on the plan in the last few years it was closed to new retirees? With the uncertainty in the market, the group thought we should look at this.

12:30 – NDPERS is in the middle of a special dental and vision enrollment that started in November 2017 and will end in April 2018. This is due to making the RHIC portable. Coverage is effective the 1st of the month following enrollment. Right now the RHIC can be for any health insurance, but only the NDPERS dental and vision insurance. Should we make it eligible for any dental or vision insurance? This would require legislation.

Sharon gave a history of the retirement plan recovery efforts. The 4th year of the recovery has not been passed. NDPERS could submit different plans to get the 1% employee and 1% employer contribution. A plan to get 100% funded needs to be in place to avoid the GASB requirements for accounting for unfunded liability. With low employee salary increases, would there be buy-in for a retirement contribution? One option would be to suspend the contributions to the RHIC plan for new employees and move this funding to the retirement plan. This would put the plan on track to 100% funded in around 2081. The RHIC plan would still be able to function with this move. The committee was open to this change.

Ron asked about account interest. Sharon noted that the 8.00% return assumption was dropped to 7.75% recently. Interest is .5% lower in statute, so the 7.50% dropped to 7.25%. The committee thought every little bit helps and NDPERS should look at lowering this.

NDPERS will work on these ideas and set up another retiree subcommittee meeting in Jan-Feb.

12:55 – Adjourn

To: Claudia Ruffolo

From: Bryan Reinhardt

Subject: NDPERS Retiree Benefits Subcommittee Meeting

In accordance with the policy effective August 26, 1993 for compensating Board members for attendance at sub-committee meetings, the date of the Retiree Benefits sub-committee meeting and member attendance is as follows:

Date: December 7th 2017

Meeting Time: 11:00am – 12:55pm

<u>Attendees</u>	<u>Meeting Length</u>
Yvonne Smith	2.00 hours